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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of	)	
	)	
Petition of Verizon for Forbearance From The Prohibition Of Sharing Operating, Installation, and Maintenance Functions Under Section 53.203(a)(2) Of The Commission's Rules	)))	CC Docket No. 96-149

PETITION FOR FORBEARANCE

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PETITION FOR FORBEARANCE

I. *Introduction and Summary*

When the Commission adopted the prohibition of sharing operating, installation, and maintenance ("OI&M") services between a former Bell operating company ("BOC") and a section 272 separate long distance affiliate, it did not have a record to conduct a proper cost/benefit analysis of this restriction. Verizon,[1] which is the first BOC to receive interLATA authority under section 271 and the carrier with the most experience of actually implementing the Commission's separate affiliate rules, has found that the costs of complying with the OI&M restriction far outweigh any previously perceived benefit. This prohibition, which is not mandated by the Act, imposes substantial costs and inefficiencies on the BOCs that inhibit new services and thereby discourage investment. It serves no regulatory purpose that cannot be achieved through less wasteful means, and it is becoming increasingly burdensome and

[1] The Verizon companies ("Verizon") are the affiliated local and long distance telephone companies of Verizon Communications Inc. These companies are listed in Attachment A.

anachronistic as the BOCs move into a broadband environment, which does not have a clear demarcation between "local" and "long distance" calls. The Verizon BOCs and their section 272 affiliates should be permitted to share OI&M services just as they are permitted to share administrative and other services.

For these reasons, Verizon requests that the Commission exercise its authority under section 10(c) of the Communications Act of 1934, 47 U.S.C. § 160(c), to forbear from applying section 53.203(a)(2) of its rules to Verizon with regard to the sharing of OI&M services. The current rules already permit all other services to be shared between the BOC and the section 272 affiliate or to be provided by an affiliated central service organization. *See Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, 11 FCC Rcd 21905, ¶¶ 178-180 (1996) ("*Non-Accounting Safeguards Order*"). The Commission should allow the sharing of OI&M services as well. If the Commission granted this petition, Verizon would still be subject to the rest of the Commission's rules implementing the section 272 safeguards until they sunset pursuant to section 272(f)(1), and after sunset Verizon would still be subject to the requirements of sections 272(e)(1) and (3), 201, 202, and 251 of the Act.

II. The Commission Should Forbear From Applying The OI&M Restriction To Verizon.

A creation of regulation and not the Act, the OI&M prohibition, in fact, is not mentioned anywhere in section 272 of the Act. On the contrary, the Commission created it when it adopted rules to implement the requirement in section 272(b)(1) that the long distance affiliate "operate independently" of the BOC. *See Non-Accounting Safeguards Order*, ¶ 158. But that section does not itself bar the sharing of OI&M services. The Commission can and should eliminate this restriction regardless of whether the other section 272 provisions have already sunset for Verizon in any state.

When the Commission adopted the OI&M restriction, it did not have a record to properly conduct a cost-benefit analysis of using structural separations rather than cost accounting safeguards. The only cost that the Commission considered was the regulatory cost of monitoring cost allocations for personnel performing similar services for both the BOC and its section 272 affiliate. *See Non-Accounting Safeguards Order,* ¶ 163. The Commission did not have the information necessary to evaluate the duplication of cost and operational inefficiencies that the restriction would impose on the BOCs. Verizon has had several years of experience in establishing and running its section 272 affiliates, and its analysis shows that the OI&M restriction is the major factor in the additional costs caused by the section 272 separation rules. The restriction imposes duplicative costs on Verizon's section 272 affiliates by requiring them to hire additional personnel to do provisioning and maintenance work that could be done more efficiently by sharing personnel with the BOC, which already has employees with the skill sets that are applicable to long distance services. The restriction also requires the separate affiliate to develop and operate its own operating support systems when the BOCs' OSSs could perform the same tasks with little modification, and to develop redundant network operating control systems and back office provisioning functions.

As is shown in the attached Declaration of Fred Howard, Verizon Global Networks Inc, ("GNI"), the section 272 affiliate that provides underlying network services to Verizon's retail section 272 affiliates, has incurred and will incur approximately $495 million in costs through

2006 solely to comply with the OI&M restriction. This represents over half of the additional costs that GNI has incurred and will incur in order to comply with the section 272 rules. Going forward, as much as $183 million of GNI's potential savings from sunset of the section 272 rules would be achieved simply through elimination of the OI&M restriction. Clearly, these costs exceed any incremental benefit of using structural separation rather than cost accounting to prevent cross-subsidization of long distance services.

There is no regulatory need for this restriction. The Commission adopted it primarily because the Commission was concerned about its ability to monitor the allocation of costs between the BOCs and their section 272 affiliates. *See* Non-Accounting Safeguards Order, ¶ 163. However, there is no fundamental difference between the cost allocations necessary to monitor the sharing of OI&M services and the cost allocations that the Commission already applies to administrative and other services that are currently permitted to be shared between a BOC and a section 272 affiliate, such as finance, human resources, legal, and accounting. Like the sharing of administrative services, sharing of OI&M services prior to sunset would be subject to the Commission's affiliate transaction rules. *See* 47 C.F.R. § 32.27. These rules require that the personnel performing services for an affiliate account for all time associated with work on behalf of the affiliate. Furtnermore, BOC operating personnel already use positive time reporting to record work performed for nonregulated activities such as inside wire under the Part 64 rules. Similar time reporting can and would be used for sharing of OI&M services with the long distance affiliates under the affiliate transaction rules. The Commission previously found that administrative services could be shared, because its *Accounting Safeguards* order provided sufficient mechanisms for monitoring cost allocations and deterring cross-subsidization. *See Non-Accounting Safeguards Order*, ¶ 181. The same safeguards, including the requirement for the section 272 affiliates to conduct transactions with the BOCs on an arms-length basis, to reduce them to writing and make them available for public inspection, to maintain separate books, and to be subject to audits, would be just as effective for the sharing of OI&M services.

It should also be noted that cross-subsidization is not a realistic danger for carriers such as the BOCs, who are subject to price-based regulation in the federal arena and in most states. Under price caps, misallocating costs to regulated accounts does not increase the carrier's prices or revenues. Therefore, such misallocations, even in the unlikely event that they could escape detection by the Commission's controls, would not give the carrier any ability to offer below-cost long distance services.

The OI&M restriction is becoming increasingly burdensome and anachronistic as the industry begins to deploy the next generation network and moves into a broadband environment. As is discussed in the attached Declaration of Jeannie H. Diefenderfer, broadband, by its nature, gains efficiency by integrating services over a single platform. Unlike traditional circuit-switched telephony, Internet protocol networking cannot be readily categorized into "local" and "long distance" calls. A broadband network provides a platform for combining voice, data, video, etc. into a backbone that is essentially distance-insensitive. The OI&M restriction requires the use of multiple work groups to deal with arbitrarily delineated demarcations between "local" and "long distance" portions of what is technologically, as well as in the minds of customers, a single integrated end-to-end service. It saddles the BOCs and the section 272 affiliates with separate systems for network creation, ordering, provision, surveillance, maintenance, and repair. The need for separate systems and work groups imposes inefficiencies that raise the costs of introducing broadband service and discourage investment at a crucial stage in the growth of this market, which many see as a critical component in the nation's future economic growth.[2] Because of the relative newness and small size of this marketplace, the section 272 affiliates' work groups and operating support systems lack the economies of scale that would aid the BOCs in achieving the critical mass needed to spur innovative uses of the broadband network. The problems of coordinating OI&M functions among multiple affiliates and their separate systems have a particularly negative effect on new technologies such as broadband, because such new technologies must be tested separately to ensure proper interaction of all of the multiple systems.

In addition, the OI&M restriction imposes marketing handicaps on the BOCs that inhibit their ability to meet customers' needs. While this is true in all segments of the business, one particularly graphic example is in the large business segment. Competition is particularly intense in this segment, where Verizon competes with large, established carriers in attempting to attract customers with annual revenues of at least $100,000 and as much as $10 million or more. ***See*** attached Declaration of Steven McCully. Indeed, at present, the three major long distance incumbents control over two thirds of the nationwide enterprise market segment. ***See*** *UNE Fact Report*, II-24. Typical large business customers have dedicated account teams, require a custom-engineered network, and expect sophisticated installation and dedicated customer support. Verizon surveys show that 90 percent of customers consider service reliability and meeting deadlines as critical factors in selecting a vendor. In order to try to break into the long distance business market segment, Verizon must convince potential customers of its ability to provide the high level of customer support that they expect, despite the fact that Verizon cannot provide the

[2] ***See, e.g.,*** Robert W. Crandall & Charles L. Jackson, Criterion Economics, L.L.C., *The $500 Billion Opportunity: The Potential Economic Benefit of Widespread Diffusion of Broadband Internet Access* (July 2001).

same level of efficiency in responding to customer repair requests as its competitors due to the section 272 restrictions.

The OI&M restriction puts Verizon at a significant disadvantage in competing with carriers that are able to offer an integrated service platform using their own local and long distance facilities. For large business accounts, many of Verizon's competitors provide their own transmission facilities directly to the customer's location, seamlessly integrating "local" and "long distance" networks and using a single workforce to respond to installation and repair requests. For example, competitive local exchange carriers use their own fiber-based last-mile facilities to serve the vast majority of their large business customers. ***See Review of the Section*** *251 Unbundling Obligations of Incumbent Local Exchange Carriers*, CC Docket No. 01-338, Comments of Verizon, Attachment B, UNE Fact Report 2002, p. IV-1 (filed April 5 2002) ("*UNE Fact Report*"). In servicing large accounts, Verizon cannot respond as a single team that can maintain end-to-end service. The section 272 rules result in a set of hand-offs of customer requests for service and repair that lead to less than optimal results. While the customer may be provided with a single phone number to call for service, the reality is that no one group at Verizon will be able to meet the customer's needs. The long distance and BOC work groups must transfer responsibility to each other as they try to verify the location of a problem and resolve it. This hinders Verizon in responding to service issues and in meeting the level of service quality that these customers expect. As a result, competition in the form of service quality suffers, detracting from the central goal of the Telecommunications Act of 1996 to promote competition in all sectors of the telecommunications industry.

For these reasons, the Commission should forbear from applying the OI&M restriction to Verizon. Section 10 of the Act requires the Commission to forbear from applying any regulation or any provision of the Act to telecommunications carriers if the Commission determines that the three conditions set for in section 10 are satisfied. Section 10 is not discretionary – it states that if the conditions are met, the Commission "shall" exercise forbearance. *See* 47 U.S.C. § 160(a). The Commission must forbear from enforcing a rule or provision of the Act if;

> (1) enforcement of such regulation or provision is not necessary to ensure that the charges, practices, classifications, or regulations by, for, or in connection with that telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory;
>
> (2) enforcement of such regulation or provision is not necessary for the protection of consumers; and
>
> (3) forbearance from applying such provision or regulation is consistent with the public interest.[3]

With regard to the public interest determination required by section 10(a)(3), section 10(b) states that "[i]f the Commission determines that such forbearance will promote competition among providers of telecommunications services, that determination may be the basis for a Commission finding that forbearance is in the public interest." 47 U.S.C. § 160(b).

All of these conditions are met here.

Enforcement of the OI&M prohibition is not necessary to ensure that charges, practices, classifications, or regulations are just and reasonable and are not unjustly or unreasonably discriminatory.

If the Commission forbears from applying the OI&M restriction to the BOCs, the same affiliate transaction rules and section 272 separate affiliate rules will apply to the sharing of these

[3] 47 U.S.C. § 160(a). A petition for forbearance is deemed granted if the Commission does not issue an order denying it within 12 months. The Commission may extend the 12 month deadline by 90 days if necessary. *See* 47 U.S.C. § 160(b).

services as apply to other services that are currently permitted to be shared. *See Non-Accounting Safeguards Order*, ¶¶ 171-184. This includes the affiliate transaction rules in section 32.27 as well as the section 272 safeguards. The long distance affiliates will have to develop OI&M transactions with the BOCs on an arms-length basis, reduce them to writing, and make them available for public inspection. The Commission will continue to apply its cost accounting rules and the imputation standards of section 272(e)(3) to ensure that the BOCs properly attribute their costs to their long distance operations. In addition, the separate affiliates will continue to maintain separate books and be subject to audits. These rules will ensure that the costs of shared OI&M services are properly allocated between the BOCs and the section 272 affiliates. Furthermore, even in the unlikely event that costs were improperly allocated to the BOC, rates would not be impacted, because the price cap system has broken the link between costs and rates. For these reasons, a prohibition on the sharing of OI&M services is not necessary to prevent unreasonable rates.

Nor is the OI&M restriction required to prevent unreasonable practices or unjust discrimination. The non-discrimination safeguards of sections 202, 251, and 272 of the Act would continue to apply. The Commission has begun two rulemaking proceedings to consider setting performance standards for special access services and for UNEs/interconnection. *See Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements,* Notice of Proposed Rulemaking, 17 FCC Rcd 9916, ¶ 26 (2002); *Performance Measurements for Interstate Special Access Services,* Notice of Proposed Rulemaking, 16 FCC Rcd 20896 (2001); *Performance Measurements and Standards for Unbundled Network Elements and Interconnection,* Notice of Proposed Rulemaking, 16 FCC Rcd 20641 (2001). And the

Commission has ample authority to monitor and enforce these rules under sections 4(i), 220, 503, and 206-209 of the Act.

Enforcement of the OI&M restriction is not necessary for the protection of consumers.

Forbearance will further consumer interests. As is noted above, the OI&M restriction is not necessary to prevent unreasonable rates for consumers. In fact, elimination of this restriction will have direct benefits for consumers by allowing Verizon to offer better prices and services. The OI&M restriction imposes unnecessary costs on Verizon that are passed along to consumers in the form of higher prices for both Verizon's customers and the customers of its competitors, who face less price pressure from Verizon. The costs of complying with OI&M restriction divert capital from productive investments and the development of innovative services. Operationally, the OI&M restriction hinders Verizon in providing the quality and timeliness of service that customers want and expect. Removal of the OI&M restriction from Verizon will promote greater competition and better service to consumers.

Forbearance from applying the OI&M restriction is consistent with the public interest.

Forbearance from applying the OI&M prohibition to Verizon will further the public interest. Elimination of unnecessary regulatory restrictions promotes efficiency and economic growth in a time when it is most important. In addition, lifting this restriction will promote development of broadband services by removing artificial limitations and operational inefficiencies. Continued application of the OI&M restriction is not necessary to protect competition – in fact, it harms competition by placing a lop-sided handicap on Verizon that is not shared by its competitors. Removal of this restriction is necessary to promote the public interest.

Conclusion

For the foregoing reasons, the Commission should forbear from applying the OI&M restriction to Verizon.

Respectfully submitted,

By: [signature]
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Attorney for the Verizon companies

Of Counsel
Michael E. Glover
Edward Shakin

Dated: August 5, 2002

Declaration of Fred Howard

1. My name is Fred Howard. My business address is 1320 North Courthouse Road, Arlington, VA. 22201. I am the President of Verizon Global Networks Inc. ("GNI"). I have more than 37 years of service with Verizon in a host of network related positions. My responsibilities include supervision of the operating, installation and maintenance functions denoted in the FCC's section 272 separate affiliate rules, 47 C.F.R. § 53.203(a). My organization's responsibilities begin with building the long distance network after receiving work orders from engineering. Once the network is built, we are responsible for surveillance and maintenance of the network. My organization also receives orders from our sales channels and installs the services requested on our network. Should a customer experience a long distance problem, we also repair their service. My organization has other responsibilities in the administrative arena, which support our company's mission.

2. The purpose of this declaration is to provide an estimate of the costs that GNI has incurred to comply with the FCC's separate affiliate rules under section 272 of the Act. This analysis looks at the costs already incurred from 1998 through 2002 to establish and run GNI as a fully separate affiliate pursuant to the FCC's rules, as well as the projected costs to be incurred from 2003 through 2006 using GNI's current business plan. In performing this analysis, I looked at the capital investment in network switching and transmission facilities, land and buildings, operating support systems ("OSSs"), and other capitalized costs that GNI incurred to meet the separate affiliate requirements compared to the incremental investments that Verizon would have incurred if it could have developed interLATA capabilities through the BOCs. The difference between these investments represents the capital costs of complying with the section 272

separate affiliate rule. Similarly, I looked at the annual expenses that GNI incurs and determined what percentage of these expenses could be eliminated if the associated activities could be performed directly by the Verizon Bell Operating Companies ("BOCs"). Again, the difference represents the incremental costs of complying with the Commission's separate affiliate rules.

3. In the area of capital costs, I included capital costs of (1) switches and transmission facilities; (2) administration, including land and buildings, leasehold improvements, servers, computers, and capitalized software; (3) network operating center ("NOC"); (4) OSSs; and (5) laboratory test systems. In the area of expenses, I included (1) outside contractors, such as those providing field technicians, that would normally have been staffed by BOC employees; (2) staff and administrative employees; (3) leased transmission facilities; (4) OSSs; (5) network operations; (6) NOC; (7) back office functions, e.g., for calling card, repair; and (8) miscellaneous. For each category, I determined the percentage of total investment and costs that would be avoided if the investments or activities were undertaken by the BOC rather than a fully separate affiliate such as GNI.

4. The results of this study show that GNI has incurred approximately $195 million in capital costs and $314 million in expenses, including depreciation on capital, from 1998 through 2002 to meet section 272 requirements. The study also shows that GNI will incur an additional $550 million in expenses from 2003 to 2006 to continue to meet these requirements. If the Commission's section 272 rules sunsetted in 2002, it would not be economic to eliminate all of the sunk investments that were made in separate facilities and systems to meet section 272 requirements. However, a conservative estimate of the savings that could be obtained over the 2003 through 2006 time period by re-integrating operations with the BOC where it was economically advantageous to do so is about $247 million.

5. Most of the costs that Verizon incurs to meet the section 272 separate affiliate requirements are related to the prohibition on sharing of operating, installation, and maintenance services between the BOC and the section 272 affiliates. The OI&M restrictions affect expenses in the category of (1) outside contractors; (2) staff and administrative employees; (3) OSSs; (4) NOC; and (5) back office provisioning. Verizon has incurred approximately $197 million from 1998 through 2002 to comply with the OI&M restriction, and it expects to incur an additional $298 million from 2003 through 2006 to comply with this restriction, for a total of $495 million. If the OI&M restriction were eliminated, GNI would save approximately $183 million over the 2003 through 2006 time period by sharing these services with the BOCs. This is close to 75 percent of GNI's avoidable costs over this period. This shows that the OI&M restriction is the single most important source of inefficiency and duplication of costs caused by the section 272 separate affiliate rules.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 1, 2002

Fred R. Howard

Fred Howard

Declaration of Jeannie H. Diefenderfer

1. My name is Jeannie Diefenderfer. My business address is 1095 Avenue of the Americas, New York, NY. I am the Group President-Systems, Billing & Process Assurance for Verizon. My responsibilities include advanced services' billing operations, performance assurance and systems planning, implementation, and operations. I am also responsible for support functions such as business planning, program/project management, and regulatory compliance. I have more than 14 years of experience in the telecommunications industry in a variety of engineering and operations positions working for NYNEX, Bell Atlantic, and now Verizon. Prior to assuming my current responsibilities, I was Group President, Advanced Networks for Verizon.

2. The purpose of this declaration is to explain the inefficiencies associated with providing broadband service through a multiple affiliate structure. Elimination of this requirement would allow Verizon to compete on equal terms with other broadband providers, including the dominant providers of such services, which would result in benefits to consumers.

3. Broadband, by its nature, gains efficiency by integrating various services over a single platform. Dismembering integrated broadband services and requiring that they be offered through multiple affiliates runs counter to this concept and will only hamper the introduction of broadband capabilities into the network.

4. In addition, broadband services are relatively new and are used by only a fraction of the number of customers that use narrowband voice services. The added costs imposed by separation requirements are especially pernicious when spread across this smaller customer base.

5. Providing broadband services through structurally separate companies for the "local" and "long distance" segments of the service is inefficient and increases the cost of providing the total service. These inefficiencies are found in systems for provisioning/maintaining service, processes to manage the interaction of the multiple affiliate structure and multiple work centers to care for customers and the network.

6. Systems. A carrier uses network creation, ordering, provisioning, surveillance and service assurance (maintenance and repair) systems to provide its services. If it is required to break up what would otherwise be a single integrated end-to-end service into different pieces to be provided by separate corporate entities, each entity must have its own systems to manage its part of the service. This duplication is costly and inefficient.

7. Processes. If multiple entities must work together to provide what would otherwise be a single integrated end-to-end service, they must develop processes to work with each other. These processes serve no business or customer need and only complicate and add cost to the service.

8. Work Centers. Carrier employees deal with customers, process orders and the like. These employees typically are located in service centers or similar facilities. Separation requirements mean that separate centers have to be established to house the employees who perform these functions for each entity. And it means that multiple employees are required to perform a function that a single employee could perform if the service were offered as a single integrated end-to-end service. To make matters still worse, because of the relative newness and smallness of this marketplace, individual centers would likely not be large enough to operate efficiently.

9. Finally, the introduction of new technologies into the network can be hampered by the fact that Verizon must conduct integration testing for any new technology. Integration testing includes validation of a new technology against all of the associated systems that are affected. Under a separate affiliate structure, this means inefficiency through redundant testing of new technologies and systems.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on July 31, 2002

Jeannie H. Diefenderfer

Declaration of Steven G. McCully

1. My name is Steven G. McCully. My business address is 8300-G Guilford Road, Columbia, Maryland 21046. I am President – Enterprise Long Distance, Verizon Select Services, Inc. ("VSSI"), which is part of the Verizon Enterprise Solutions Group ("ESG"). I have a Bachelor of Science degree and a Masters of Business Administration degree from the University of Maryland. I began my career in 1980 in Consumer Marketing with Chesapeake & Potomac Telephone. I have held positions of increasing responsibility in Business Marketing and Large Business Sales prior to my 1995 appointment managing strategic regulatory initiatives for the Enterprise Business unit. I have led the long distance services unit of Verizon Enterprise Solutions Group since September 2000.

2. The purpose of this declaration is to describe the handicaps that the FCC's section 272 separate affiliate rules place on Verizon in meeting the needs of large business customers for a single-carrier solution to their telecommunications needs. VSSI provides retail long distance services to large business customers as a fully separate affiliate of the Verizon Bell Operating Companies ("BOCs"). ESG represents several Verizon entities and organizations, including VSSI and the Verizon BOCs, and focuses its sales efforts upon customers who purchase multiple services and sophisticated networks to serve several locations with potentially thousands of employees. Minimum annual revenue for an ESG customer would be approximately $100,000 and may be as great as $10,000,000 or more.

3. ESG's enterprise customers are normally located in urban, densely populated areas where numerous competitive alternatives exist. Attracting these customers requires significantly more targeted and customized marketing than the consumer market. Further, the method of providing service to these customers is significantly different than for a residential or small business customer. Typically, ESG customers require dedicated account teams, a custom-engineered network, sophisticated installation and dedicated customer support. This level of service is considered a differentiating factor by customers targeted by ESG. ESG surveys show that well over 90% of customers in this group consider service reliability and meeting deadlines as critical factors in selecting a telecommunications service provider.

4. Separate affiliate requirements result in ESG being placed at a competitive disadvantage when compared to other carriers that can provide local and long distance networks on an integrated basis. The FCC's separate affiliate rules result in handoffs of customer requests for service and repair that add cost and difficulty in meeting customer expectations. From the customer's point of view, these regulatory handicaps are irrelevant. These customers hold Verizon to the same service standards as its competitors, such as competitive local exchange carriers and interexchange carriers, who have the ability to provide service through end-to-end networks without concerns about having to structurally separate various parts of their businesses.

5. For example, financial institutions, which are a significant customer segment for ESG, are particularly demanding in seeking security, network reliability, redundancy and shortened repair intervals. A financial institution may require a

combination of local dial-up telephone services, long distance services, and special access and private line services to connect various building locations.

6. Should such a customer agree to purchase services from Verizon, Verizon must undertake a more constrained approach to responding to its needs for service. While the customer may be provided with a single phone number to call for service, the reality – due to the prohibition from sharing operating, installation, and maintenance ("OI&M") services between the Verizon local exchange companies and the Verizon long distance companies – is that no one person can fulfill the customer's needs, unlike their experience with Verizon's competitors, who can provide both local and long distance facilities through a single entity. When ESG takes the initial call reporting a service problem, a notice will be sent to the local telephone operating company to respond. The local telephone operating company may verify that its network is the root of the service problem. Should that not be the case, ESG will transfer the service request to the repair personnel of the long distance affiliate. The long distance affiliate will perform a similar network verification. Thus, the effort to meet customer response time grows significantly with every handoff.

7. Verizon's inability to use a single work force to provide OI&M services in support of its local and long distance services impairs its ability to efficiently meet the customer's demands for the quality of service that it expects in the critical large business market segment. This reduces the competitive impact of entry into the long distance market by Verizon and undermines competition in one of the areas that large business customers value the greatest – service quality.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on July 25, 2002

Steven G. McCully

Steven G. McCully

ATTACHMENT A

THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies participating in this filing are the following affiliates of Verizon Communications Inc.:

Bell Atlantic Communications Inc. d/b/a Verizon Long Distance
Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions
Verizon California Inc.
Verizon Delaware Inc.
Verizon Enterprise Solutions Virginia Inc.
Verizon Florida Inc.
Verizon Global Networks Inc.
Verizon Global Solutions Inc.
Verizon Hawaii Inc.
Verizon Long Distance Virginia Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon Select Services
Verizon Select Services of Virginia Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.